

## **ANNUAL REPORT FROM THE CHAIR – 2014/2015**

### **1. INTRODUCTION**

- 1.1 Membership of the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) is made up of the Heads of Internal Audit from each Scottish Local Authority and Strathclyde Partnership for Transport. The Group is a Special Interest Group of CIPFA Scotland, with operational arrangements, vision, and objectives set out in a formal Constitution.
- 1.2 The Group's vision is to be the voice of Internal Audit across Scottish Local Authorities and a driving force for best practice in respect of Local Authority Internal Audit, governance, and operations. In support of that vision the Group has four key objectives:
- to raise our profile with key stakeholders and to be recognised as the logical, respected, and essential source of opinion on governance, risk, and control within Scottish Local Government;
  - to identify areas of Internal Audit work where a pan-Scotland or inter-Authority approach will bring benefits to our people, clients, and stakeholders;
  - to consider the development and training needs of our people; and
  - to seek statutory recognition for the role of Internal Audit in Scotland.
- 1.3 The purpose of this Annual Report is to provide an update on the Group's activities and achievements over the course of 2014/15.

### **2. SLACIAG ACTIVITY AND ACHIEVEMENTS DURING 2014/15**

- 2.1 SLACIAG met four times during 2014/15:
- 20 June 2014 – hosted by Perth and Kinross Council;
  - 12 September 2014 – hosted by Fife Council;
  - 28 November 2014 – hosted by Glasgow City Council; and
  - 20 March 2015 – hosted by East Ayrshire Council.
- 2.2 All of the meetings were very well attended, re-affirming the value of the Group to members. This is particularly pleasing at a time of such significant change across Local Government generally and for Internal Audit in particular.
- 2.3 This is perhaps best illustrated by the variety of topics considered by the Group over the course of the year, and the calibre of speakers who attended and presented.
- 2.4 For example, our year kicked off in March 2014 with a highly insightful and thought provoking presentation from Colin Mair, Chief Executive of the Improvement Service. Colin helped set the context for the year by talking about the need for considered transformational change across Local Government, and Internal Audit's role in helping to facilitate that change. This became a recurring theme over the course of the year, with the majority of Heads of Internal Audit and their internal audit teams having some role to play in their Council's change management and improvement programmes.
- 2.5 Examples of significant transformation came from George Black, then Chief Executive of Glasgow City Council, who spoke at our November 2014 meeting about his Authority's transformation journey.
- 2.6 Various speakers over the course of the year have helped the Group get to grips with the risks, challenges and opportunities associated with Health and Social Care Integration. For example, Claire Sweeney and Neil Cameron of Audit Scotland attended in November 2014 to talk about the evolving regulations and guidance, as well as some of the issues to be considered by Internal Audit both pre and post implementation. This was built on at our March 2015 meeting when Laura Friel, Corporate Director - Finance and Corporate Support of North Ayrshire Council, spoke very enthusiastically and positively about the integration work being undertaken, both at a local and a national level.

- 2.7 Another key theme considered by the Group during 2014/15 was corporate fraud and the extent to which Internal Audit (particularly where there is shared responsibility across Internal Audit and Corporate Fraud teams) can input into prevention and detection of fraud within their organisations.
- 2.8 In fact, our meeting in September 2014 was largely given over to this topic. Brian Taylor, Senior Risk Manager of the Scottish Government, provided an update on national developments, and in particular on the various working groups set up to develop strategic and practical approaches to identifying and dealing with fraud. Brian Livingston, Executive Director - Finance and Resources of Fife Council, then spoke about his expectations in relation to Internal Audit's role.
- 2.9 The practicalities of setting up and operating a corporate fraud team were then explained by Barry Moncur of East Dunbartonshire Council. Barry also spoke about his approach to identifying and investigating the areas of highest fraud risk, using case studies to illustrate some of the positive outcomes he and his team had achieved.
- 2.10 The counter fraud theme carried over into our March 2015 meeting, when Owen Smith of Audit Scotland gave his perspective on the 2014/15 National Fraud Initiative exercise.
- 2.11 2014/15 was also a pivotal year in relation to the development of the SLACIAG approach to External Quality Assessment. The 2013 Public Sector Internal Audit Standards require that Internal Audit sections undergo periodic (at least 5 yearly) external assessment against the Standards. While this service can be purchased from various private sector providers, SLACIAG took the view that a peer review approach would be beneficial to member Authorities, both from a financial and developmental perspective.
- 2.12 A sub-group of volunteer members lead by Vice Chair, Andrea McMahon of Renfrewshire Council, has undertaken significant work on the development of a peer review approach, and an initial pilot involving a sample of Councils is nearly completed. Over the course of 2015/16 and subsequent years this approach will be rolled out to all Councils willing to participate, and a timetable for this has been agreed.
- 2.13 Members of SLACIAG have also benefited over the course of the year from a programme of high quality training events, organised by Andi Priestman of Inverclyde Council, the Training Sub-Group. Topics included:
- IT for Non-IT Auditors;
  - Value for Money Auditing;
  - Fraud Investigation Skills; and
  - Counter Fraud.
- 2.14 All of these were well attended, offered very good value and attracted positive feedback from delegates.
- 2.15 SLACIAG's commitment to providing training and development opportunities to its members will continue into 2015/16, with the bi-ennial conference, to be held in Dundee on 08 and 09 June 2015, a particular highlight. It is hoped that this will be an interactive event, and that it will drive the themes and topics to be explored further at future SLACIAG meetings, as well as identify any specific training needs or themes to inform the Group's training and development plan for this financial year.
- 2.16 As usual, the Group held its Annual General Meeting in March 2015. At that meeting the Treasurer, Kenneth Ribbons of West Lothian Council, provided an update on the Group's finances, which continue to show a healthy financial position. This will allow rates for attendance at the June 2015 Conference to be held at a level which offers very good value.
- 2.17 Probably the most significant development during 2014/15 was the achievement of the Group's objective to seek statutory recognition for internal audit in Scotland. The Local Authority Accounts (Scotland) Regulations 2014 were laid before the Scottish Parliament on 7 July 2014 and came into force on 10 October 2014. The regulations require a local authority to operate a professional and objective internal auditing service. This service must be provided in accordance with recognised standards and practices in relation to internal auditing. Recognised standards and practices are those set out in the Public Sector Internal Audit Standards: Applying the IIA International Standards to the UK Public Sector. The standards require internal audit to have suitable operational independence from the authority.

### 3. COMPUTER AUDIT SUB-GROUP

- 3.1 The main aim of the Computer Audit Sub-Group (CASG), which is a permanent sub-group of SLACIAG, is to provide a forum to share and discuss computer audit practices and developments. This includes raising awareness of new standards, updates to legislation, and new and current topics of interest.
- 3.2 During 2014/15 CASG met three times:
- 24 April 2014 at East Renfrewshire Council;
  - 22 August 2014 at Dundee City Council; and
  - 25 November 2014 at Fife Council.
- 3.3 Meetings have included presentations and discussions on a range of topics with speakers from within and out-with the group. The purpose of these presentations is to keep the group updated and informed on computer audit developments, resources, and techniques.
- 3.4 In the past year, presentation topics have included:
- ICT and Information Management Costs / Areas of Savings;
  - Internet Policy for children in care homes;
  - ICT licensing;
  - ICT Strategy and Governance;
  - ICT and Information Management Audit Universe.
  - The logic behind the Information Commissioner's Office taking regulatory action;
  - Public Sector Network workstreams;
  - ICT Asset Management;
  - Disaster Recovery; and
- 3.5 CASG meetings continue to attract increasing numbers and cater for computer audit knowledge from novice through to professional level. During 2014/15, CASG meetings were attended by auditors from 24 of the Local Authorities as well as auditors from SPT and Scottish Water. The group will consider in the upcoming year any areas where ICT related training would be beneficial.

### 4. SUMMARY

- 4.1 The role of Internal Audit continues to evolve with Health and Social Care Integration, continued pressure on budgets, and reducing resources across all Councils amongst the key drivers of change.
- 4.2 The membership of SLACIAG also continues to change, with new members joining and an ever increasing emphasis on the involvement of members of Internal Audit teams as well as Heads of Internal Audit.
- 4.3 That said, the commitment of members both to SLACIAG, and the wider profession, remains unchanged, and this is reflected in the excellent attendance at and contribution to meetings of the Group over the course of 2014/15.
- 4.4 2015/16 will be another challenging year for Internal Audit in Local Government. I'm firmly of the belief, however, that, individually and collectively, SLACIAG will continue to be at the forefront of developments, and that our voice will continue to be heard as experts in matters of risk management, governance, and control.
- 4.5 Finally, I would like to take this opportunity to thank the Committee and all Group members for their support and contributions during 2014/15.



**Jill Stacey (Chief Officer Audit and Risk, Scottish Borders Council)**  
**Chair of SLACIAG**  
**18 May 2015**